

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: April 2, 2008

Bill Number: S.B. 1090

Author: Thomas, Ford and Anderson

Committee Requesting Impact: Senate B&I

Bill Summary: A bill to amend the Code of Laws of South Carolina, 1976, so as to enact "The South Carolina Mortgage Lending Act", by adding Chapter 22 to Title 37 so as to require the licensing of a mortgage lender, loan officer, limited loan officer, or someone acting as a mortgage lender;... provide for enforcement otherwise through the Department of Consumer Affairs (DCA) and through criminal penalties; ... and by amending Chapter 58 of Title 40, relating to the registration of mortgage loan brokers, so as to change the registration requirements to licensing requirements, to redefine "mortgage broker", "exempt organization", "residential real property", inter alia, and to add new definitions, including "branch office", "pattern of residential mortgage fraud", "tablefunding", and others; require certain professional courses, an additional year of experience, and a fingerprint check for mortgage brokers and mortgage originators; to require certain records be kept and made accessible; ... authorize enforcement by the DCA, and prescribe administrative penalties including fines and injunctions and criminal penalties; require certain reports and filings; and provide for the felony offense of mortgage fraud and penalties. (... *truncated for space*)

REVENUE IMPACT ^{1/}

This bill is expected to raise earmarked funds within the DCA by a total of \$915,000 and to the SLED by \$265,500 in FY 2008-09. The bill would have no impact on state General Fund revenue.

Explanation

This bill adds Chapter 22 to Title 37 to administer and license mortgage lending in this State under enforcement of the DCA, effective January 1, 2009. A uniform license period would annually expire on December 31st for mortgage lenders, loan or limited loan officers, and it would also apply to mortgage brokers/originators under Chapter 58 of Title 40. A schedule of late fees and penalties for failure to renew or file forms in a timely manner is established with latitude afforded to the DCA to alter or enforce any deadline. All licensees would be required to have both a federal and state criminal background check for licensing in calendar year 2009.

Based on info provided by staff of DCA and the State Law Enforcement Division (SLED), we expect a total of approximately 3,000 new licensees for mortgage lending firms; whereas mortgage brokering firms would net 3,000 new/renewed licenses next year. Based on a tiered rate structure, we expect a total of \$905,000 from initial licensing applicable to mortgage lending. The net impact of new/renewal fees for mortgage broker/originator licensing is expected to be marginal as license fees are unchanged. We expect an additional \$10,000 to accrue from new and/or higher penalty assessments under both licensing programs. Thus, the total impact to the DCA would be to raise earmarked funds by \$915,000 in FY 2008-09. The DCA expects to utilize electronic filing of state/federal criminal history checks at a combined unit cost of \$44.25. All proceeds would be retained by SLED. Multiplying 6,000 checks times \$44.25 yields \$265,500. This bill would therefore raise SLED earmarked funds by \$265,500 in FY 2008-09. No current or proposed revenue sources would impact the state's General Fund in FY 2008-09.

/s/ William C. Gillespie

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^{1/} This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).